AUDIT PROGRAM FOR HOME HEALTH AGENCIES UNDER THE HEALTH INSURANCE FOR THE AGED AND DISABLED

TITLE XVIII

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AUDIT PROGRAM

FOR HOME HEALTH AGENCIES

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AUDIT PROGRAM FOR HOME HEALTH AGENCIES UNDER THE HEALTH INSURANCE FOR THE AGED AND DISABLED PART I—INTRODUCTION

A. Authority

This audit program has been prepared by the Department of Health, Education, and Welfare under the provisions of Sections 1816, 1842, 1861 (v) (1), and 1871 of the Health Insurance for the Aged and Disabled Title XVIII of the Social Security Act. The Act authorizes the Secretary of Health, Education, and Welfare to prescribe such regulations as may be necessary to carry out the administration of the insurance programs under Title XVIII.

B. Responsibility

The Secretary has the responsibility to establish regulations to be followed in the examination of financial and statistical records of providers being paid reasonable cost for services rendered to beneficiaries of the program. The Secretary has delegated to the Social Security Administration (SSA) the responsibility for policy formulation and the general management and operational aspects of the program including the prescribing of principles of reimbursement and related policies for use by providers in determining the reasonable cost of services furnished to beneficiaries. To facilitate the making of payments to providers for services furnished beneficiaries, the SSA has entered into agreements with private organizations to act as intermediaries for the purpose, among others, of determining the amount of reimbursement to be made to providers. Reimbursement is made directly by the intermediaries during the year on an estimated basis and final settlement is based on statements of provider's costs submitted on an annual basis, and audited as appropriate.

C. Purpose

The examination is to be made in accordance with the "Standards For Audit Of Governmental Organizations, Programs, Activities And Functions" issued in 1972 (1974 reprint) By The Comptroller General of the United States applicable to examinations of financial operations. This program is designed to provide the auditors with an outline of minimum procedures to be considered for a full scope audit, during an examination of the accounting and statistical records of home health agencies that are providers of services under the Health Insurance for the Aged and Disabled. On occasion the intermediary will direct only a limited scope audit and only some of the procedures will be appropriate. This program is also designed to aid in preventing the omission of important phases of the audit. The scope of each audit will be determined by the intermediary.

D. Objectives

The overall objectives of the audit of home health agencies are to provide the intermediary with verified financial information as a basis for making a final determination of allowable costs; to assist the Secretary to discharge his responsibilities under the Health Insurance for the Aged and Disabled; to aid in formulation of policy; and to provide verified financial and statistical information as a basis for decisions and reports to the Congress of the United States. More specifically the objectives are:

1. To ascertain that the home health agency is conforming to applicable law and regulations with respect to reimbursement under Title XVIII of the Social Security Act.

2. To review, analyze, test, and verify the home health agency's financial and statistical books and records and to determine that only proper items of cost applicable to services furnished beneficiaries have been included in reimbursable cost. Where the above words are used in this program, the following generally accepted meanings are intended:

   a. Review—to study critically

   b. Analyze—to break into significant component parts in order to determine the nature of something

   c. Test—to examine representative items or samples for the purpose of arriving at a

conclusion as to the group from which the sample is selected

d. Verify—to establish accuracy

3. To verify on a selective basis that expenses attributable to the health insurance program have been accurately determined and and are reasonable.

4. To ascertain that records supporting statistical data and the adequacy of the methods used for accumulation are sufficient to properly develop valid and accurate statistical information.

E. Scope of Audit

The examination must be sufficiently comprehensive in scope to permit the expression in the audit report of an opinion as to whether, in all material respects, page 2 of the Home Health Agency Statement of Reimbursable Cost presents fairly the material shown there in conformity with the prescribed Principles of Reimbursement for provider costs issued by the Secretary.

The auditor should make maximum utilization of audits of home health agencies performed by others, where available, insofar as such audits reasonably further the audit objectives of the program. As in any other examination, the auditor reporting on information contained in the cost reimbursement schedule should obtain sufficient evidential matter to form a reasonable basis for his opinion.

The effectiveness of internal controls, the nature of the providers' records, and the extent of audit work performed by the providers' auditor or other third-party auditors should be considered by the intermediary appointed auditor in determining the scope of audit work to be performed. In selecting procedures to be applied and the extent of testing to be done, the auditor should rely to the extent possible on the work of other auditors in the same manner that highly effective internal control procedures are utilized.

The audit program is not intended to place a maximum limitation on the scope or extent of the audit, nor is it intended as a substitute for the exercise of judgment by the auditor. The auditor should examine those areas that he considers necessary for the successful conclusion of the audit. Additional or more intensive examinations may be warranted whenever indicated by local circumstances.

The audit may be made by means of complete or partial analyses, tests, or sampling methods. *At its discretion the intermediary may, on many occasions, request only a limited audit be performed.* In those instances the *intermediary will issue precise instructions to the auditor* regarding the scope of work to be performed. The auditor should refer to statements on auditing standards issued by the AICPA in determining the most appropriate manner of reporting on such limited audits. If findings developed during a limited scope audit indicate the need for extending the scope, the auditor should immediately notify the intermediary.

F. Reporting

An audit report is prepared and submitted to the intermediary upon completion of the examination of each home health agency. The auditor should comment on the agency's accounting and internal control systems insofar as they pertain to or affect the development of cost data under the prescribed principles of reimbursement. In addition, where the audit report contains a qualified opinion or a disclaimer of opinion, the comments should disclose the deficiencies which prevented the expression of an unqualified opinion and should offer suggestions for improvement. The auditor's certificate should, depending on the circumstances, conform to the forms included in Exhibit A attached.

The auditor may elect to issue a seperate report containing the auditor's comments, findings, and recommendations relating to matters that do not affect the rendition of an opinion on the agency's statement of reimbursable costs. When a separate report is prepared, it should be submitted to the intermediary together with the audit report on the statement of reimbursable costs, if possible, and in any event within 30 days after submission of the audit report. Where the auditor finds or observes that the home health agency is not complying with directives issued by the intermediary or the SSA to a degree affecting the intended operation of the program, these instances of noncompliance are to be disclosed and discussed in the comments.

Notwithstanding any provisions to the contrary, if the intermediary instructs the auditor to perform so limited an audit that the audit firm is not able to express an overall opinion as to the fairness of reasonable costs, then the auditor's report to the intermediary shall be limited to a summary of the audit work actually performed and a listing of any matters noted in such examination which would reflect on the fairness of reasonable costs.

G. Non-Availability of Records

During the examination of the home health agency's records, the auditor should limit himself to only those records that are essential to the completion of the audit. Whenever he requests the home health agency to provide records for review and such requests are denied, he should make the circumstances the subject of a special note in his workpapers and report, and the intermediary should be consulted at once to assist in the procuring of such data or determine whether the examination should be discontinued.

H. Disclosure of Contents of Audit Program and Result of Audit

The auditor is not to discuss or disclose the contents of the audit program or otherwise provide information with respect to specific audit approaches to anyone except authorized representatives of the intermediary and the Secretary. The scope of the audit and overall audit objectives and approaches should be discussed, however, with appropriate officials of the home health agency during the initial conference at the start of the audit. The results of the audit are to be discussed with officials of the provider and intermediary during the audit and at the exit conference as appropriate under the circumstances (Part III-D). Audit working papers, programs, and reports, including permanent files and reviews of internal controls, pertaining to each provider audit, will be retained by the auditor for at least three years after final payment for services under the contract for services and will be made available to representatives of the Secretary and the intermediary, at all reasonable times, for review and obtaining any necessary information.

I. Audit Guides

During the course of the examination, the auditor should look to the prescribed Principles of Reimbursement, HIRM-1 Subpart D, (Reg. Secs. 405.451–405.454)* which interpret the reimbursement provisions of Title XVIII of the Social Security Act (as amended). The legal limitations of reimbursement that only those costs attributable to beneficiaries of the program be reimbursed, serves as a guideline in determining the extent of allowable reimbursement. In addition to Title XVIII of the Social Security Act the Health Insurance for the Aged and Disabled, the following SSA publications will provide the auditor a general knowledge of the Health Insurance for the Aged program as it relates to home health agencies.

Home Health Agency Manual (HIM–11)
Principles of Reimbursement for Provider Costs (HIRM–1) Subpart D
Provider Reimbursement Manual (HIM–15) (Includes detailed explanations and samples for principles of reimbursement for provider costs)
Conditions of Participation for Home Health Agencies (HIRM–1) Subpart L

The auditor shall refer questions of interpretation of the Social Security Act, as amended, or Principles of Reimbursement for Provider Costs to the intermediary. The auditor can accept the written reply of the intermediary to the questions as conclusive.

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* This reference is to the stated principle of the Principles of Reimbursement for Provider Costs (HIRM–1–Health Insurance Regulations Manual. These regulations have been codified at 20 CFR et seq.) Similar references will be made throughout the Audit Program.

AUDIT PROGRAM
PART II—GENERAL INSTRUCTIONS

A. Work at the Auditor's and/or Intermediary's Offices

1. Before contacting the home health agency to be audited, the auditor should become familiar with Title XVIII of the Social Security Act (as amended), the regulations thereunder, and the prescribed Principles of Reimbursement. In addition the auditor should discuss with the intermediary the possibility and need for reviewing the home health agency file maintained at the intermediary's office to become familiar with the contents of pertinent documents that might be related to the home health agency audit. Such documents could include:

   a. Contracts, if any, especially contracted services pertaining to Medicare beneficiaries.

   b. Financial data including interim reimbursement payments.

   c. Prior period Medicare audit report.

   d. Independent public accountants reports on the financial statements for the audit period.

   e. Statistical reports including time studies and public health reports.

   f. Correspondence identifying problem areas.

   g. Cost reports submitted by the agency to other third-party payers.

   h. Other pertinent information.

2. The auditor should compare the current statement of reimbursable cost (SSA Form 1728 or 1729) with the prior one and note on worksheets for subsequent investigation any material differences of expenses shown on the two statements.

3. The auditor should ascertain whether an audit has been completed by a independent public accountant covering the period of the statement of reimbursable cost and if so whether all necessary adjustments were made to the books and records.

4. The auditor should arrange to meet with the provider's auditor for the purpose of determining the extent of audit work done. He should discuss with the provider's auditor the scope of their work and their conclusions and refer to their audit program and working papers in order that he may select the procedures to be applied and the extent of testing to be done to form a reasonable basis for his opinion on information contained in the statement of reimbursable cost.

B. Adjustments

1. During the examination of the records, etc., the auditor should promptly notify the responsible representative of the home health agency of any material adjustments to be made. This will give the home health agency officials the opportunity to take such corrective or remedial action as may be necessary prior to the conclusion of the audit and should expedite the "exit conference" described in Part III-D.

   a. Any adjustment required as a result of the audit should be noted on the "Audit Adjustment Report" prepared by the auditor and made part of the workpapers. For the format of the "Audit Adjustment Report" see Part A Intermediary Manual, Part 2, Section 2041.

   b. If an adjustment is required which will materially affect the statement of reimbursable cost, the auditor should advise the intermediary so that consideration can be given to any possible effect on the current interim payment. If the responsible representative of the home health agency does not agree with the proposed change, the intermediary should be promptly advised so that he can discuss it with the home health agency's representative.

C. Audit Work at the Home Health Agency

1. During preliminary discussion with officials of the home health agency, the auditor should request that certain documents be placed at his disposal during the audit, including:

   a. Accounting books and records that are used in keeping account of the financial operations of the home health agency.

   b. Statistical reports pertaining to the information furnished on the statement of reimbursable cost.

   c. Cost studies prepared by the home health agency or by recognized organizations such as the National League for Nursing.

   d. Audit reports of the organization's own staff or others:

      (1) A copy of the latest audit report made by an independent public accountant should be requested for retention as a part of the audit workpapers.

      (2) A copy of the latest audit report prepared by any other third-party payer's auditors.

   e. Any or all types of reports that were prepared by the home health agency in connection with the health insurance program or any other federal or state program (where cost reimbursement is involved—for example, National Institute of Health grants for their Research Project Program, General Research Support Program, and General Clinical Research Center Program). (Note: These should be reviewed to determine whether the revenues and expenses compare generally with those included in the cost reporting forms for the health insurance program. Any conflict in handling of similar items, relative to reimbursement, between Federal programs should be brought to the attention of the intermediary who should advise the Social Security Administration.)

   f. Schedule of home health agency charges (fee schedule) for each type of visit made and also schedule of charges for other services such as rental of equipment for all patients at beginning and ending of reporting period. (Note: Schedule of charges during the period should be reviewed to determine that such charges, including any changes thereto, are applicable to all patients using such services.)

   g. All workpapers supporting allocations, calculations, etc., on the statement of reimbursable cost.

   h. A trial balance of all funds, for all accounts included in the general ledger (to be retained in audit workpapers).

   i. All minutes of the directorate of the home health agency and any of its committees.

2. The auditor should confer with the management of the home health agency about unusual variations found in comparing the the current home health agency statement of reimbursable cost with that of the preceding year. Replies should be noted on the worksheet recording the reason for such changes.

3. The auditor should review the material that was requested and determine whether all records requested are available. The auditor should exercise the usual physical control of all records and documents made available exclusively for his use during the audit.

4. If the auditor is unable to obtain a trial balance under C–1–h above, prepare a trial balance for all accounts included in the home health agency's general ledger.

   a. Compare expense accounts on the trial balance with those on the statement of reimbursable cost.

   b. Reconcile (and evaluate differences between) total expenses on the trial balance with the total expenses on the statement of reimbursable cost.

   c. Reconcile (and evaluate differences between) total expenses on the trial balance

and statement of reimbursable cost with the home health agency's independent audit report. (Review last year's reconciling items for comparability.)

5. Examination of expense accounts.

   a. In connection with the examination of expense accounts, the following accounts should be given special emphasis and where appropriate, analyzed to the extent necessary to reasonably assure that they do not include unallowable costs and items which should have been capitalized and depreciated.

      (1) Miscellaneous expense account or miscellaneous category (if any) included under other expense accounts. (Materiality should be recognized when making judgment to analyze.)

      (2) Maintenance and repairs

      (3) Professional fees (other than medical)

      (4) Administration and general

      (5) Services contracted for "under arrangements"

      (6) Mileage expense

      (7) Rental of durable equipment

   b. Limited tests should be made of the medical supply and equipment accounts to ascertain that charges thereto are reasonable and do not include capital items excludable from reimbursable costs. With regard to hospital-based home health agencies, limited tests should be made of the following accounts:

      (1) Laboratory supplies and expenses

      (2) X-ray supplies and expenses

      (3) Pharmacy supplies and expenses

   c. Support salary expense for the period by appropriate tests.

   d. Analyze interest expense for the period. Determine unallowable amount, if any, based on HIRM–1—Subpart D (Reg. Sec. 405.419).

   e. Review and analyze, where necessary, on a test basis, the fixed asset accounts. The auditor should satisfy himself as to the proper classification. Support major additions for the period and test the classification. Limitations imposed by Public Law 92–603, Section 223 should be considered. In the initial audit, some background and historical information should be included in workpapers regarding fixed assets and valuations, etc. The home health agency's capitalization policy should be reviewed and noted in workpapers.

   f. Review and test the computation of depreciation for the period, including the reasonableness of rates. (Reference may be made to the rates shown by the American Hospital Association and Internal Revenue Service.) Determine whether claimed depreciation expense meets the requirements of HIRM–1 Subpart D (Reg. Secs. 404.415–405.418).

   g. Review bad debts, if any, charged to the health insurance program and determine that a proper collection effort or indigency determination was made. Such bad debts should be restricted to the deductible amounts under Part B, not collected, as reflected in HIRM–1 Subpart D (Reg. Sec. 405.420).

   h. Review and analyze, where necessary, any new expense account (new service, etc.) to determine the appropriateness and its applicability to Medicare reimbursable home health agency expenses.

   i. Review and determine (test basis or otherwise) the accuracy of non-visiting expenses as stated on statement of reimbursable cost. If an allocation is made of such non-visiting expense on the basis of predetermined percentages, review and determine the reasonableness of the bases used for allocation. Expenditures not related to the program are to be eliminated.

j. Analyze rent expense by reference to leases, correspondence, etc. Imputed rent expense for facilities provided without charge is not an allowable cost.

k. The expenses attributable to the following accounts (and similar items) are not to be included in patient costs; a careful review should be made to determine that such items have been correctly treated in accordance with health insurance program prescribed principles and regulations. If the expenses (including applicable indirect costs) cannot be segregated and identified then the income received should be used as a recovery.

(1) Expenses attributable to the sale of medical and surgical supplies to other than patients

(2) Expenses attributable to the sale of medical records and abstracts

(3) Personal expenses of owner(s), etc., (proprietary agency)

(4) Fund-raising expenses

(5) Any other expenses not applicable to patient care

l. Income related to the following accounts (and similar items) should be reflected in patient costs:

(1) Trade, quantity, time, and other discounts on purchases

(2) Rebates and refunds of expenses

(3) Grants, gifts, and income designated by the donor for specific expenses

(4) Commissions—vending machines

(5) Recovery of insured losses

m. The auditor should be alert to note any amounts in the expense accounts that pertain to transactions with related organizations. The allowability of these expenses should be determined in accordance with HIRM–1 Subpart D (Reg. Sec. 405.427).

6. Examination of income accounts

a. If the home health agency has grants, particularly Public Health Service grants, these should be reviewed to determine if the principal and/or income affects the health insurance program reimbursable costs in any way.

b. Review all other income accounts on the trial balance for possible recoveries of allowable expenses. Analyze where necessary to determine that all recoveries were included as such in the statement of reimbursable cost. ("Miscellaneous Income," if applicable).

c. Where applicable, test the segregation of total charges to patients between health insurance program patients and total other patients and compare with percentages used in statement of reimbursable cost for application of RCC (ratio of charges to charges applied to cost).

d. Tests should be made to determine that the schedule of home health agency charges applied to health insurance program patients and all other patients are consistent and comparable.

e. Effective after December 31, 1972, Public Law 92–603, Section 233 limits Medicare provider reimbursement to no higher than charges. The auditor is referred to Medicare Regulations Section 405.455 (b) (HIRM–1) for handling certain charges in dealing with this concept.

f. Prepare schedule of selected admissions for start of care, ascertain respective dates of visits made, and substantiate charges for visits and other services and all credits or allowances for periods of care. This test should include health insurance program patients and other patients.

g. For the above selected admissions ascertain that the agency has available an established plan of treatment (1) stating the specific care needed by the patient and (2) the necessary recertifications signed by the physician.

h. Trace from the records of other services provided (such as rental of equipment) to the patients' accounts, selected charges for services and test prices charged. Medical record charts may be used for this purpose.

7. Additional audit activity.

a. Review any other accounts on the trial balance where the contents are not evient and which may affect the statement of reimbursable cost, such as capital fund account, etc. In some instances, the year-end audit report may show this information.

b. Review and analyze, if necessary, any other balance sheet accounts which may affect the final determination of reimburable costs; e.g., "inventories," "prepaid expenses," and "accrued expenses."

c. Determine the reason for any unusual and material fluctuation in expense or income account and balance sheet accounts for this period as compared with the prior period. Analyze if necessary. Explain such difference in the workpapers. This refers to those accounts whose fluctuations were not determined during basic review of the statement of reimbursable cost.

d. Review and determine (test basis or otherwise) the accuracy of the computation of the settlements included in the statement of reimbursable cost. This will include verifying the "charges" portion of the settlement calculation with the home health agency's books and records.

8. Verification of statistical information.

a. Test patient statistics submitted with the statement of reimbursable cost to the extent necessary to conclude that statistical information is reasonably valid and accurate.

(1) Number of visits—test the daily postings on the home health agency's summary records to the daily activity reports and test footings of the daily activity reports. Test the footings on summary records and compare with the number shown on the statement of reimbursable cost. References should be made to a limited number of case files and traced through to the daily activity reports during the period. Conversely, tests should be made from daily activity reports to case files.

(2) Number of patients served—verify the summary records of admissions and discharges with the basic record in the business office of the home health agency. Test the footings on the summary records and compare with the statement of reimbursable cost figures.

(3) By limited tests, determine that proper segregation of the above statistics between health insurance program patients and other patients was made. Any material fluctuations between the periods should be questioned.

(4) Where any of the above statistics (medicare and non-medicare) are used on the statement of reimbursable cost form for allocations or determining the amount due, such totals should be compared with the home health agency's total for the period.

b. Review and test the accuracy of the statistics for the number of visits made by the various disciplines, especially in those agencies being reimbursed at different rates by disciplines served.

c. Where the combined PHS-NLN method is used, review and analyze selection of time study period to note if seasonal differences were considered; study was representative of activities of agency; a sufficient time period was included to obtain a fair sample; and if administrative controls were adequate to assure reasonably accurate results.

d. Test tabulation on time study sheets by tracing records to patient accounts and to summary sheet as well as personnel time.

e. Test for the proper elimination of "not home not-found," visits for medicare patients as well as non-covered services.

f. Except for the combined PHS-NLN method, test non-visiting time or percentage used in arriving at the non-visiting deduction.

9. Miscellaneous.

a. For home health agencies that include in allowable costs amounts for voluntary services by individuals, including services of members of religious orders, obtain a schedule showing salary and other allowances by occupation and the service to which the annual amount is charged. The requirements of HIRM–1 Subpart D (Reg. Sec. 405.424), should be applied in these cases.

b. The amounts and bases of allocation of expenses to and from affiliated hospitals, nursing homes, universities, public health departments, etc. (which are connected with the home health agency's operaions) should be carefully reviewed.

c. Review contracts with physicians and other professional people on the payroll to determine reimbursable amounts under Title XVIII of the Social Security Act thereunder. (Note: physicians' services must be rendered in the capacity of consultant or administrator). The auditor is reminded that effective with cost reporting periods beginning on or after January 1, 1973, reimbursement for the reasonable cost of physical and other therapy services furnished by a home health agency under arrangements with others will be limited to amounts equivalent to the salary and other costs that would have been incurred by a provider if the services had been performed in an employment relationship, plus other costs an individual not working as an employee might have, such as maintaining an office, travel expenses, and similar costs.

d. Expenses relative to approved educational activities as defined in HIRM–1 Subpart D (Reg. Sec. 405.421) should be reviewed and the amount subject to reimbursement under Title XVIII of the Social Security Act determined.

e. Review any other income and expense accounts of the agency (not previously considered) to determine if any amounts might affect the statement of reimbursable cost. Analyze where necessary.

10. Profit-Oriented Entities.

a. The foregoing audit program has been designed primarily for the examination of the books and records of eleemosynary and other home health agencies not organized or operated for profit. The following additional audit procedures should be considered in the examination of proprietary institutions.

(1) Insurance expense and other expense accounts should be reviewed for possible elimination of personal and unallowable items. Special attention should be given to Compensation of Owners HIRM 1–Subpart D (Reg. Sec. 405.426). If, in the opinion of the auditor, payments to owners appear excessive, this should be reported to the intermediary for decision.

(2) Paid or accrued income taxes are not to be considered as an item of reimbursable cost and should be eliminated.

(3) Determine that the cost claimed for Return on Equity Capital of Proprietary Providers HIRM–1 Subpart D (Reg. Sec. 405.429) is properly computed.

AUDIT PROGRAM
PART III—CONCLUSION

A. Review of Workpapers and Schedules

At the conclusion of the examination, the auditor should possess all of the data in his workpapers necessary to support and explain the list of changes included on the "Audit Adjustment Report."

Before leaving the home health agency, the auditor should review the workpapers to assure that all data, information, schedules, and necessary notes are included to adequately support the audit and the audit report.

The audit program, or a separate audit check list, should be included in the forepart of the audit working papers. Each audit step, or segment of related steps, should be initialed to indicate completion of the audit work required and cross-referenced to the supporting audit working papers. At the conclusion of the examination, the audit program, or audit check list, should be reviewed to determine that all functions were performed or satisfactory explanation was recorded for those omitted.

B. Return of Basic Documents

The auditor should be certain at the conclusion of the audit that he has returned all of the home health agency's files, books, and documents in the same condition as they were presented to him.

C. Audit Results

All of the proposed adjustments to the statement of reimbursable cost must be included on the "Audit Adjustment Report" which should be prepared in triplicate. The auditor should have the home health agency calculate the final net change and, depending on the number and dollar amount of the adjustments, a revised statement of reimbursable cost upon which the auditor will render his opinion. The auditor will make a complete mathematical verification of the revised statement of reimbursable cost and supporting data.

D. Exit Conference

An exit conference should be arranged by the auditor with the administrator and/or financial executive of the home health agency. All changes listed on the "Audit Adjustment Report" should be discussed. The home health representative should be requested to sign two copies of the "Audit Adjustment Report" indicating agreement to the changes in the statement of reimbursable cost. The third copy of the "Audit Adjustment Report" should be given to the home health agency. One signed copy of the report should be retained by the auditor in his workpapers and one copy should be sent to the intermediary with a corrected copy of the statement of reimbursable cost. If the home health agency officials and the auditor cannot agree to all the proposed changes, then the intermediary should be requested to participate in the conference to resolve the disagreement.

E. Summary of Notes on Audit

A "Summary of Notes on Audit" should be included in the workpapers listing any unusual facts concerning this audit and any relevant information that may assist the auditor performing the next audit.

SUGGESTED FORMS OF CERTIFICATION

The form of opinion shown below is intended to be illustrative of the opinion that independent auditors should give where they have examined the Home Health Agency Statement of Reimbursable Cost.

ILLUSTRATIVE FORM OF REPORT

We have examined the information shown on page 2 of the Home Health Agency Statement of Reimbursable Cost (Form SSA–1728 or SSA–1729 as applicable) of the _____ of the year ended _____. Our examination was made in accordance with the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued in June 1972 (1974 reprint) by the Comptroller General of the United States, applicable to examinations of financial operations, and with the audit requirements set forth in the Audit Program For Home Health Agencies published by the Department of Health, Education and Welfare (HEW) dated May 3, 1976 and accordingly, included such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances. In our opinion, page 2 of the accompanying Home Health Agency Statement of Reimbursable Cost presents fairly in all material respects the information shown therein, in conformity with the Principles of Reimbursement for Provider Costs, (HIRM–1) published by the Secretary of Health, Education, and Welfare applied as described in the notes to the statement.

_____

Signature

_____

Date

The foregoing form of opinion is appropriate for use by the provider's auditor as well as by the intermediary-appointed auditors who may or may not have examined the provider's financial statements. In circumstances where the provider's unaudited financial statements, in complete or partial form, are included as part of the cost reimbursement schedule, such financial statements should be marked as "unaudited" and a middle paragraph should be added to the report expressing a disclaimer of opinion on the financial statements. Where the financial statements submitted have been examined by either (a) the auditor rendering the report on the Statement of Reimbursable Cost or (b) the provider's auditor, a middle paragraph may be added as follows:

As to situation (a)

We have examined the financial statements of _____ for the year ended _____ and have rendered our report thereon under date of _____.

As to situation (b)

> We have not examined the financial statements of _____, for the year ended _____ and accordingly we do not express an opinion on them. Such statements were examined by other public accountants who have reported on them under date of _____.

Since inclusion of the middle paragraph is intended solely to furnish information about any examinations that may have been made of the financial statements included in the cost reimbursement schedule and not to indicate a sharing of responsibility, the opinion expressed as to the Statement of Reimbursable Cost should not be modified to refer to the middle paragraph.

Whatever the circumstances, as in the case of any engagement where an auditor expresses an opinion, the auditing work done should be sufficient to support the opinion.

Qualifications and Disclaimer of Opinion

Appropriate modification of the illustrative form will be required when the auditor finds it necessary to qualify his opinion or give a disclaimer of opinion.

There may be situations in which the auditor examining the costs claimed for reimbursement will not be able to formulate an opinion concerning such costs, or items included therein, either because restrictions were placed on the scope of his work by the intermediary or because the condition of the records was such as to prevent him from performing the work necessary in the circumstances. In these situations, in reporting on the costs claimed, the auditor should refer to Statements on Auditing Standards issued by the American Institute of Certified Public Accountants in determining the most appropriate manner of reporting on such limited audits. There also may be situations where the auditor will conclude that information shown is not presented fairly. These situations may concern instances where, for example, the auditor concludes that the statements of reimbursable cost do not present certain information in conformity with accounting requirements of the Department of Health, Education, and Welfare, or where cost allocations are made improperly or information is inaccurate. In those situations the auditor should be guided by the discussion of qualified opinions and adverse opinions in Statement on Auditing Standards No. 2 (October 1974), issued by the American Institute of Certified Public Accountants.

Special Examinations

Intermediaries may seek the advice and assistance of auditors with respect to various accounting and auditing matters associated with Medicare. This may include requests for special examinations, such as examinations of specific accounts of the home health agency's Statements of Reimbursable Cost examined by other auditors. The form of report to be submitted in such cases should be designed to fit the individual situation and should set forth clearly the scope of the work performed and the results. The auditor should be careful in reporting on such situations that he does not give the impression of having assumed more responsibility than his special examination warrants. Generally, the provisions of Sections 620 of Statement on Auditing Standards No. 1 (1973) dealing with special reports apply to such situations. In some cases "negative assurance" type of reports may be appropriate, provided the conditions described in sections 518 and 620 of Statement on Auditing Standards No. 1 (1973) and No. 2 (October 1974) are met.

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